



**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Mogadore Local School District
Summit County
130 South Cleveland Avenue
Mogadore, Ohio 44260

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Mogadore Local School District, Summit County, (the School District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the amounts at which fixed asset are recorded in the General Fixed Assets Account Group and Enterprise Funds in the accompanying balance sheet at June 30, 1999 (stated at \$3,393,579 and \$13,838, respectively), or the amounts for accumulated depreciation and depreciation expense for the year ended (stated at \$25,528 and \$748, respectively). We were unable to satisfy ourselves regarding fixed asset amounts by other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves about fixed asset amounts, the related accumulated depreciation and depreciation expense, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2001 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 24, 2001

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Mogadore Local School District
Summit County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,441,792	\$140,085	\$7,674	\$187,057
Cash and Cash Equivalents in Segregated Accounts	0	1,587	0	0
Receivables:				
Taxes	4,220,737	0	0	262,146
Accounts	1,361	0	0	0
Intergovernmental	0	1,413	0	0
Accrued Interest	383	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	50,690	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Long Term Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<u>\$6,714,963</u>	<u>\$143,085</u>	<u>\$7,674</u>	<u>\$449,203</u>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$20,111	\$4,778	\$18,281	\$0	\$0	\$2,819,778
0	0	0	0	0	1,587
0	0	0	0	0	4,482,883
0	0	0	0	0	1,361
0	0	0	0	0	1,413
0	0	0	0	0	383
6,181	0	0	0	0	6,181
76	0	0	0	0	76
13,838	0	0	3,393,579	0	3,407,417
0	0	0	0	0	50,690
0	0	0	0	7,674	7,674
0	0	0	0	1,008,946	1,008,946
<u>\$40,206</u>	<u>\$4,778</u>	<u>\$18,281</u>	<u>\$3,393,579</u>	<u>\$1,016,620</u>	<u>\$11,788,389</u> (continued)

Mogadore Local School District
Summit County
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts Payable	\$23,158	\$480	\$0	\$0
Accrued Wages	332,748	0	0	0
Compensated Absences Payable	105,355	0	0	0
Intergovernmental Payable	123,006	0	0	0
Deferred Revenue	3,993,027	0	0	247,227
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Bond Payable	0	0	0	0
Building Improvement Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>4,577,294</u>	<u>480</u>	<u>0</u>	<u>247,227</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	633,393	19,695	0	4,000
Reserved for Taxes	227,710	0	0	14,919
Reserved for Budget Stabilization	50,690	0	0	0
Unreserved, Undesignated	1,225,876	122,910	7,674	183,057
<i>Total Fund Equity and Other Credits</i>	<u>2,137,669</u>	<u>142,605</u>	<u>7,674</u>	<u>201,976</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u><u>\$6,714,963</u></u>	<u><u>\$143,085</u></u>	<u><u>\$7,674</u></u>	<u><u>\$449,203</u></u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$359	\$0	\$40	\$0	\$0	\$24,037
3,837	0	0	0	0	336,585
7,158	0	0	0	347,552	460,065
10,980	0	0	0	32,242	166,228
5,920	0	0	0	0	4,246,174
0	0	62	0	0	62
0	0	18,179	0	0	18,179
0	0	0	0	16,826	16,826
0	0	0	0	595,000	595,000
0	0	0	0	25,000	25,000
<u>28,254</u>	<u>0</u>	<u>18,281</u>	<u>0</u>	<u>1,016,620</u>	<u>5,888,156</u>
0	0	0	3,393,579	0	3,393,579
37,846	0	0	0	0	37,846
(25,894)	4,778	0	0	0	(21,116)
0	0	0	0	0	657,088
0	0	0	0	0	242,629
0	0	0	0	0	50,690
0	0	0	0	0	1,539,517
<u>11,952</u>	<u>4,778</u>	<u>0</u>	<u>3,393,579</u>	<u>0</u>	<u>5,900,233</u>
<u>\$40,206</u>	<u>\$4,778</u>	<u>\$18,281</u>	<u>\$3,393,579</u>	<u>\$1,016,620</u>	<u>\$11,788,389</u>

Mogadore Local School District
Summit County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Debt Service
Revenues			
Taxes	\$4,076,546	\$0	\$10,149
Intergovernmental	2,042,960	199,786	841
Interest	131,625	106	0
Tuition and Fees	90,485	0	0
Extracurricular Activities	0	133,970	0
Contributions and Donations	0	21,518	0
Miscellaneous	46,699	638	0
	<u>6,388,315</u>	<u>356,018</u>	<u>10,990</u>
<i>Total Revenues</i>			
Expenditures			
Current:			
Instruction:			
Regular	2,673,405	3,945	0
Special	525,633	93,699	0
Vocational	88,439	0	0
Support Services:			
Pupils	254,263	49,820	0
Instructional Staff	139,266	20,237	0
Board of Education	35,496	0	0
Administration	427,094	806	0
Fiscal	204,732	13,781	163
Business	3,213	0	0
Operation and Maintenance of Plant	545,354	0	0
Pupil Transportation	260,294	800	0
Central	29,156	779	0
Extracurricular Activities	159,051	108,105	0
Capital Outlay	327	0	0
Debt Service:			
Principal Retirement	12,179	0	85,000
Interest and Fiscal Charges	3,458	0	37,259
Intergovernmental	118	0	0
	<u>5,361,478</u>	<u>291,972</u>	<u>122,422</u>
<i>Total Expenditures</i>			
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,026,837</u>	<u>64,046</u>	<u>(111,432)</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	50	0	0
Operating Transfers In	18,922	0	94,915
Operating Transfers Out	(43,058)	0	0
	<u>(24,086)</u>	<u>0</u>	<u>94,915</u>
<i>Total Other Financing Sources (Uses)</i>			
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>1,002,751</u>	<u>64,046</u>	<u>(16,517)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,134,918</u>	<u>78,559</u>	<u>24,191</u>
<i>Fund Balances at End of Year</i>	<u>\$2,137,669</u>	<u>\$142,605</u>	<u>\$7,674</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$252,108	\$4,338,803
22,214	2,265,801
0	131,731
0	90,485
0	133,970
0	21,518
54,130	101,467
<u>328,452</u>	<u>7,083,775</u>
53,272	2,730,622
0	619,332
0	88,439
0	304,083
3,965	163,468
0	35,496
6,533	434,433
5,923	224,599
0	3,213
20,007	565,361
0	261,094
0	29,935
0	267,156
79,417	79,744
0	97,179
0	40,717
0	118
<u>169,117</u>	<u>5,944,989</u>
<u>159,335</u>	<u>1,138,786</u>
0	50
9,086	122,923
(94,915)	(137,973)
<u>(85,829)</u>	<u>(15,000)</u>
73,506	1,123,786
<u>128,470</u>	<u>1,366,138</u>
<u>\$201,976</u>	<u>\$2,489,924</u>

**Mogadore Local School District
Summit County**

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)*

All Governmental Fund Types

For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$3,984,769	\$3,984,766	(\$3)
Intergovernmental	2,043,314	2,043,310	(4)
Interest	131,518	131,518	0
Tuition and Fees	90,486	90,485	(1)
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	48,994	48,923	(71)
<i>Total Revenues</i>	<u>6,299,081</u>	<u>6,299,002</u>	<u>(79)</u>
Expenditures			
Current:			
Instruction:			
Regular	3,356,874	3,103,888	252,986
Special	611,858	580,643	31,215
Vocational	95,800	87,158	8,642
Support Services:			
Pupils	270,493	248,203	22,290
Instructional Staff	162,426	152,808	9,618
Board of Education	71,365	44,182	27,183
Administration	448,539	421,391	27,148
Fiscal	244,636	206,928	37,708
Business	6,016	3,726	2,290
Operation and Maintenance of Plant	676,881	616,014	60,867
Pupil Transportation	285,252	272,605	12,647
Central	35,700	29,156	6,544
Extracurricular Activities	180,727	159,054	21,673
Capital Outlay	700	347	353
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Intergovernmental	119	119	0
<i>Total Expenditures</i>	<u>6,447,386</u>	<u>5,926,222</u>	<u>521,164</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(148,305)</u>	<u>372,780</u>	<u>521,085</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	50	50	0
Operating Transfers In	18,922	18,922	0
Operating Transfers Out	(113,592)	(43,058)	70,534
Other Financing Uses	(50,690)	0	50,690
<i>Total Other Financing Sources (Uses)</i>	<u>(145,310)</u>	<u>(24,086)</u>	<u>121,224</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(293,615)</u>	<u>348,694</u>	<u>642,309</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,351,518</u>	<u>1,351,518</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>114,465</u>	<u>114,465</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$1,172,368</u>	<u>\$1,814,677</u>	<u>\$642,309</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$10,878	\$10,839	(\$39)
207,898	199,786	(8,112)	843	841	(2)
106	106	0	0	0	0
0	0	0	0	0	0
113,561	113,555	(6)	0	0	0
21,519	21,518	(1)	0	0	0
659	639	(20)	0	0	0
<u>343,743</u>	<u>335,604</u>	<u>(8,139)</u>	<u>11,721</u>	<u>11,680</u>	<u>(41)</u>
15,481	3,945	11,536	0	0	0
93,700	93,700	0	0	0	0
0	0	0	0	0	0
52,490	49,820	2,670	0	0	0
39,442	20,420	19,022	0	0	0
0	0	0	0	0	0
1,500	1,310	190	0	0	0
13,943	13,781	162	401	163	238
0	0	0	0	0	0
0	0	0	0	0	0
800	800	0	0	0	0
1,689	11,552	(9,863)	0	0	0
99,374	98,527	847	0	0	0
0	0	0	0	0	0
0	0	0	85,000	85,000	0
0	0	0	37,315	37,258	57
0	0	0	0	0	0
<u>318,419</u>	<u>293,855</u>	<u>24,564</u>	<u>122,716</u>	<u>122,421</u>	<u>295</u>
<u>25,324</u>	<u>41,749</u>	<u>16,425</u>	<u>(110,995)</u>	<u>(110,741)</u>	<u>254</u>
0	0	0	0	0	0
0	0	0	0	94,915	94,915
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,915</u>	<u>94,915</u>
25,324	41,749	16,425	(110,995)	(15,826)	95,169
67,879	67,879	0	23,500	23,500	0
10,282	10,282	0	0	0	0
<u>\$103,485</u>	<u>\$119,910</u>	<u>\$16,425</u>	<u>(\$87,495)</u>	<u>\$7,674</u>	<u>\$95,169</u>

(continued)

**Mogadore Local School District
Summit County**

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$247,748	\$247,182	(\$566)
Intergovernmental	49,182	22,214	(26,968)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	54,130	54,130	0
<i>Total Revenues</i>	<u>351,060</u>	<u>323,526</u>	<u>(27,534)</u>
Expenditures			
Current:			
Instruction:			
Regular	59,139	57,272	1,867
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	12,852	3,965	8,887
Board of Education	0	0	0
Administration	11,895	6,533	5,362
Fiscal	10,050	5,923	4,127
Business	0	0	0
Operation and Maintenance of Plant	37,000	20,007	16,993
Pupil Transportation	33,621	0	33,621
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	196,538	80,728	115,810
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Intergovernmental	0	0	0
<i>Total Expenditures</i>	<u>361,095</u>	<u>174,428</u>	<u>186,667</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(10,035)</u>	<u>149,098</u>	<u>159,133</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers In	9,086	9,086	0
Operating Transfers Out	(94,915)	(94,915)	0
Other Financing Uses	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(85,829)</u>	<u>(85,829)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(95,864)</u>	<u>63,269</u>	<u>159,133</u>
<i>Fund Balances at Beginning of Year</i>	100,584	100,584	0
<i>Prior Year Encumbrances Appropriated</i>	<u>19,204</u>	<u>19,204</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$23,924</u>	<u>\$183,057</u>	<u>\$159,133</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,243,395	\$4,242,787	(\$608)
2,301,237	2,266,151	(35,086)
131,624	131,624	0
90,486	90,485	(1)
113,561	113,555	(6)
21,519	21,518	(1)
103,783	103,692	(91)
<u>7,005,605</u>	<u>6,969,812</u>	<u>(35,793)</u>
3,431,494	3,165,105	266,389
705,558	674,343	31,215
95,800	87,158	8,642
322,983	298,023	24,960
214,720	177,193	37,527
71,365	44,182	27,183
461,934	429,234	32,700
269,030	226,795	42,235
6,016	3,726	2,290
713,881	636,021	77,860
319,673	273,405	46,268
37,389	40,708	(3,319)
280,101	257,581	22,520
197,238	81,075	116,163
85,000	85,000	0
37,315	37,258	57
119	119	0
<u>7,249,616</u>	<u>6,516,926</u>	<u>732,690</u>
<u>(244,011)</u>	<u>452,886</u>	<u>696,897</u>
50	50	0
28,008	122,923	94,915
(208,507)	(137,973)	70,534
<u>(50,690)</u>	<u>0</u>	<u>50,690</u>
<u>(231,139)</u>	<u>(15,000)</u>	<u>216,139</u>
(475,150)	437,886	913,036
1,543,481	1,543,481	0
143,951	143,951	0
<u>\$1,212,282</u>	<u>\$2,125,318</u>	<u>\$913,036</u>

Mogadore Local School District
Summit County
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings*
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Sales	\$64,729	\$0	\$64,729
Other	73	0	73
<i>Total Operating Revenues</i>	<u>64,802</u>	<u>0</u>	<u>64,802</u>
Operating Expenses			
Salaries and Wages	40,424	0	40,424
Fringe Benefits	18,978	0	18,978
Purchased Services	1,210	1,001	2,211
Materials and Supplies	16,699	0	16,699
Cost of Sales	23,891	0	23,891
Depreciation	748	0	748
Other	1,608	0	1,608
<i>Total Operating Expenses</i>	<u>103,558</u>	<u>1,001</u>	<u>104,559</u>
<i>Operating Loss</i>	<u>(38,756)</u>	<u>(1,001)</u>	<u>(39,757)</u>
Non-Operating Revenues			
Donated Commodities	7,957	0	7,957
Operating Grants	21,752	0	21,752
<i>Total Non-Operating Revenues</i>	<u>29,709</u>	<u>0</u>	<u>29,709</u>
<i>Loss Before Operating Transfers</i>	<u>(9,047)</u>	<u>(1,001)</u>	<u>(10,048)</u>
Operating Transfers In	<u>15,050</u>	<u>0</u>	<u>15,050</u>
<i>Net Income (Loss)</i>	<u>6,003</u>	<u>(1,001)</u>	<u>5,002</u>
<i>Retained Earnings (Deficit) at Beginning of Year</i>	<u>(31,897)</u>	<u>5,779</u>	<u>(26,118)</u>
<i>Retained Earnings (Deficit) at End of Year</i>	<u><u>(\$25,894)</u></u>	<u><u>\$4,778</u></u>	<u><u>(\$21,116)</u></u>

See accompanying notes to the general purpose financial statements

Mogadore Local School District
Summit County
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities			
Cash Received from Customers	\$64,801	\$0	\$64,801
Cash Payments to Suppliers for Goods and Services	(33,198)	(1,001)	(34,199)
Cash Payments to Employees for Services	(42,702)	0	(42,702)
Cash Payments for Employee Benefits	(19,591)	0	(19,591)
Cash Payments for Other Operating Expenses	(1,608)	0	(1,608)
<i>Net Cash Used for Operating Activities</i>	<u>(32,298)</u>	<u>(1,001)</u>	<u>(33,299)</u>
Cash Flows from Noncapital Financing Activities			
Operating Transfers In	15,050	0	15,050
Intergovernmental Revenue	24,492	0	24,492
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>39,542</u>	<u>0</u>	<u>39,542</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	7,244	(1,001)	6,243
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>12,867</u>	<u>5,780</u>	<u>18,647</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$20,111</u>	<u>\$4,779</u>	<u>\$24,890</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
<i>Operating Loss</i>	<u>(\$38,756)</u>	<u>(\$1,001)</u>	<u>(\$39,757)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
<i>Used for Operating Activities:</i>			
Donated Commodities Used During Year	7,957	0	7,957
Depreciation	748		748
<i>Changes in Assets and Liabilities:</i>			
Decrease in Inventory Held for Resale	341	0	341
Increase in Materials and Supplies Inventory	(9)	0	(9)
Increase in Accounts Payable	313	0	313
Decrease in Accrued Wages	(362)	0	(362)
Decrease in Compensated Absences Payable	(1,916)	0	(1,916)
Decrease in Intergovernmental Payable	(614)	0	(614)
<i>Total Adjustments</i>	<u>6,458</u>	<u>0</u>	<u>6,458</u>
<i>Net Cash Used for Operating Activities</i>	<u>(\$32,298)</u>	<u>(\$1,001)</u>	<u>(\$33,299)</u>

See accompanying notes to the general purpose financial statements

Mogadore Local School District
Summit County
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)*
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$62,959	\$64,729	\$1,770
Other	73	72	(1)
Operating Grants	24,493	24,492	(1)
<i>Total Revenues</i>	87,525	89,293	1,768
Expenses			
Salaries and Wages	45,200	42,702	2,498
Fringe Benefits	20,109	19,592	517
Purchased Services	2,578	1,359	1,219
Materials and Supplies	38,199	37,769	430
Other	2,547	1,608	939
<i>Total Expenses</i>	108,633	103,030	5,603
<i>Excess of Revenues Under Expenses</i>	(21,108)	(13,737)	7,371
Operating Transfers In	15,050	15,050	0
<i>Excess of Revenues and Transfers Under Expenses</i>	(6,058)	1,313	7,371
<i>Fund Equity at Beginning of Year</i>	7,177	7,177	0
<i>Prior Year Encumbrances Appropriated</i>	5,690	5,690	0
<i>Fund Equity (Deficit) at End of Year</i>	\$6,809	\$14,180	\$7,371

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$62,959	\$64,729	\$1,770
0	0	0	73	72	(1)
0	0	0	24,493	24,492	(1)
0	0	0	87,525	89,293	1,768
0	0	0	45,200	42,702	2,498
0	0	0	20,109	19,592	517
5,780	1,002	4,778	8,358	2,361	5,997
0	0	0	38,199	37,769	430
0	0	0	2,547	1,608	939
5,780	1,002	4,778	114,413	104,032	10,381
(5,780)	(1,002)	4,778	(26,888)	(14,739)	12,149
0	0	0	15,050	15,050	0
(5,780)	(1,002)	4,778	(11,838)	311	12,149
5,780	5,780	0	12,957	12,957	0
0	0	0	5,690	5,690	0
\$0	\$4,778	\$4,778	\$6,809	\$18,958	\$12,149

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Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District

Mogadore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Summit and Portage Counties, and includes all of the Village of Mogadore and portions of Suffield Township. It is staffed by 33 non-certificated employees and 63 certificated personnel who provide services to 923 students and other community members. The School District operates three instructional buildings and one bus garage.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Northeastern Ohio Network for Educational Training, Maplewood Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Stark County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than major capital projects funds) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related cost.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund types:

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The School District has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pooled bank account is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Investments are reported at fair value which is based on quoted market price. Repurchase agreement investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset reserve of Ohio ("STAR Ohio") during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

During the year, all investment earnings were distributed to the General Fund and Scholarship Special Revenue Funds. Interest income earned during fiscal year 1999 totaled \$131,731.

The School District has a segregated bank account for student activities monies held separate from the School District's central bank account. This interest bearing depository account is presented as "cash and cash equivalents in segregated accounts" on the combined balance sheet, since it is not required to be deposited into the School District's treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The governmental funds did not have any significant inventory balances at June 30, 1999. Inventories of proprietary funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. The reserve is required by State statute and can be used only after receiving approval from the State. A fund balance reserve has also been established.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from five to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Public School Preschool
Auxiliary Services
Drug Free Schools
Title I
Title VI
Title VI-B

Capital Projects Fund

School Net
School Net Plus

Reimbursable Grants

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately thirty-two percent of the School District's governmental fund revenue during the 1999 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. In general, bond payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required by state statute to be reserve for restricted reasons.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change to contributed capital during fiscal year 1999.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Estimates

The preparation of financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

O. Memorandum Only - Totals Columns

Total columns on the general purpose financial statements are captioned "Total-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosures for the proprietary funds (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 3 - Budgetary Basis of Accounting (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

*Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types*

	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
<i>GAAP Basis</i>	\$1,002,751	\$64,046	(\$16,517)	\$73,506
Net Adjustment for Revenue Accruals	(89,313)	(20,416)	691	(4,927)
Net Adjustment for Expenditure Accruals	113,060	18,294	0	(1,310)
Adjustment for Encumbrances	(677,804)	(20,175)	0	(4,000)
<i>Budget Basis</i>	\$348,694	\$41,749	(\$15,826)	\$63,269

*Net Income/Excess of Revenues
and Transfers Over Expenses
All Proprietary Fund Types*

	<i>Enterprise</i>
<i>GAAP Basis</i>	\$6,003
Net Adjustment for Revenue Accruals	2,738
Net Adjustment for Expense Accruals	(2,246)
Depreciation	748
Adjustment for Encumbrances	(5,930)
<i>Budget Basis</i>	\$1,313

For the internal service fund, there was no difference between the GAAP basis and budget basis of accounting.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 4 - Accountability and Compliance

A. Fund Deficits

The food service enterprise fund concluded fiscal year 1999 with retained earnings of (\$25,894). Management is analyzing the food service operations to determine appropriate action to alleviate the deficit. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

B. Legal Compliance

Contrary to Ohio Rev. Code Section 5705.39 the following funds total appropriations exceeded estimated resources plus the beginning of year unencumbered cash balance:

<i>Fund</i>	<i>Total Appropriations</i>	<i>Estimated Revenues Plus Carry-Over Balance</i>	<i>Excess</i>
Teacher Development Special Revenue Fund	\$9,214	\$8,258	\$956
Lunch Room Enterprise Fund	84,395	80,946	3,449
Bond Retirement Debt Service Fund	122,716	35,221	87,495

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the School District's Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 5 - Deposits and Investments (Continued)

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily; and that the term of the agreement does not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 5 - Deposits and Investments (Continued)

During the year the School District investments were limited to overnight repurchase agreements and STAR Ohio.

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$151,211 and the bank balance was \$235,264. \$105,264 was covered by federal depository insurance and \$130,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The investment in STAR Ohio is not classified by degree of credit risk since these investments are not evidenced by securities that exist in physical or book entry form.

	<i>Category 3</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Repurchase Agreement	\$2,590,000	\$2,590,000	\$2,590,000
Star Ohio		130,844	130,844
<i>Totals</i>		\$2,720,844	\$2,720,844

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Cash and Cash Equivalents</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	\$2,872,055	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(2,590,000)	2,590,000
STAR Ohio	(130,844)	130,844
<i>GASB Statement No. 3</i>	\$151,211	\$2,720,844

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Summit and Portage Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$227,710 for the general fund and \$14,919 for the permanent improvement fund.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	<i>Amount</i>	<i>Percent</i>	Amount	Percent
Agricultural/Residential and Other Real Estate	\$57,293,220	63.94%	\$57,200,600	62.08%
Public Utility Personal	3,638,941	4.06	3,767,641	4.09
Tangible Personal Property	28,663,341	32.00	31,173,152	33.83
	<u>\$89,595,502</u>	<u>100.00%</u>	<u>\$92,141,393</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$30.49		\$43.09	

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 7 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent, billings for user charged services and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$39,366
Less Accumulated Depreciation	<u>(25,528)</u>
<i>Net Fixed Assets</i>	<u><u>\$13,838</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance</u> <u>June 30, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1998</u>
Land and Improvements	\$592,003	\$0	\$0	\$592,003
Buildings and Improvements	1,772,485	22,000	(2,187)	1,792,298
Furniture and Equipment	707,238	26,520	(1,195)	732,563
Vehicles	<u>269,615</u>	<u>7,100</u>	<u>0</u>	<u>276,715</u>
<i>Total General Fixed Assets</i>	<u><u>\$3,341,341</u></u>	<u><u>\$55,620</u></u>	<u><u>(\$3,382)</u></u>	<u><u>\$3,393,579</u></u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 9 - Risk Management (Continued)

	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$15,872,844	\$250
Inland Marine Coverage	108,685	250
Boiler and Machinery	1,000,000	500
Automobile Liability	2,000,000	100
Uninsured Motorists	500,000	100
Crime Insurance	2,000	0
General Liability:		
Per Occurrence	2,000,000	0
Aggregate	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no change in coverage during the fiscal period.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co, provides administrative, cost control and actuarial services of the GRP.

The School District changed from a self insured internal service fund to a premium base insurance plan during fiscal year 1995. As of June 30, 1999, the retained earnings of \$4,778 in the self-insurance internal service fund represents the remaining amount after all claims have been paid. The School District will analyze the fund during fiscal year 2000 to determine what to do with the retained earnings balance.

The School District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of fifteen Stark County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$519.40 for family coverage and \$213.34 for single coverage per employee per month.

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-three days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the amount of sick leave that may be accumulated. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 50 days for classified employees and 60 days for certified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Council of Governments Health Benefits Program.

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent of the employees salary; for fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$215,323, \$275,184 and \$315,838, respectively; 73 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$77,800 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone, financial report that includes financial statements and

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 11 - Defined Benefit Pension Plans (Continued)

B. School Employees Retirement System (Continued)

required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling 614/222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of covered payroll. For fiscal year 1999, six percent was the portion used to fund pension obligations. The contribution rates of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS Retirement Board. The adequacy of the contribution rates is determined annually. The School District's contributions to SERS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$54,901, \$65,607 and \$67,808, respectively; 30 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$78,510 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 6.3 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$176,173 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 12 - Postemployment Benefits (Continued)

on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$64,863 during the 1999 fiscal year.

The target level for the health care reserves is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participating currently receiving health care benefits.

Note 13 - Capital Leases

Capital lease obligations recorded in the general long-term obligations account group relate to copier equipment which is leased under long-term agreements. During fiscal year 1999, the School District did not enter into any new leases. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, "Accounting for Leases". The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

<i>Fiscal Year Ending June 30,</i>	<i>General Long-Term Obligation</i>
2000	\$12,048
2001	7,112
<i>Total Minimum Lease Payments</i>	19,160
<i>Less: Amount Representing Interest</i>	(2,334)
<i>Present Value of Minimum Lease Payments</i>	\$16,826

The assets being acquired have been capitalized in the general fixed assets account group in the amount of \$63,796, the present value of the minimum lease payments at the inception of each lease.

Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the general purpose financial statements for various governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999 were as follows:

	<i>Principal Outstanding 6/30/98</i>	<i>Additions</i>	<i>Deductions</i>	<i>Principal Outstanding 6/30/99</i>
<i>Compensated Absences</i>	\$418,336	\$0	(\$70,784)	\$347,552
<i>Intergovernmental Payable</i>	33,744	32,242	(33,744)	32,242
<i>Capital Leases</i>	29,005	0	(12,179)	16,826
<i>Building Improvement Bonds</i>	50,000	0	(25,000)	25,000
<i>Energy Conservation Bonds</i>	655,000	0	(60,000)	595,000
<i>Total Long-Term Bonds</i>	<u>705,000</u>	<u>0</u>	<u>(85,000)</u>	<u>620,000</u>
<i>Total General Long-Term Obligations</i>	<u>\$1,186,085</u>	<u>\$32,242</u>	<u>(\$201,707)</u>	<u>\$1,016,620</u>

Compensated absences and the intergovernmental payable, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which employee's are paid. Capital lease obligations will be paid from the general fund. The energy conservation and building improvements bonds are paid from the debt service fund.

The School District's overall legal debt margin was \$8,728,432 at June 30, 1999.

Principal and interest requirements to retire long-term bonds at June 30, 1999, are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2000	\$85,000	\$30,635	\$115,635
2001	65,000	26,563	91,563
2002	70,000	22,985	92,985
2003	70,000	19,275	89,275
2004	75,000	15,433	90,433
2005-2007	255,000	20,947	275,947
<i>Total Long-Term Bonds</i>	<u>\$620,000</u>	<u>\$135,838</u>	<u>\$755,838</u>

Mogadore Local School District
Summit County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 15 - Jointly Governed Organizations

The School District is a participant in the Northeast Ohio Network for Educational Training (NEONET) which is a computer consortium. NEONET is a jointly governed organization among School Districts located within the boundaries of Portage and Summit Counties and also includes the schools of Twinsburg, Barberton, Nardon Hills, Springfield, Green, Revere, Mogadore, Kent, Woodridge, Coventry, Norton and Cuyahoga Falls. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NEONET is governed by an assembly consisting of superintendents or other designees from participating school districts. The assembly exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. All the NEONET revenues are generated from charges for services and state funding. To obtain financial information write NEONET, 420 Washington Ave., Cuyahoga Falls, Ohio 44221.

The Maplewood Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the ten participating school district's elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Maplewood Joint Vocational School, 7075 State Route 88, Ravenna, Ohio 44266.

Note 16 - Public Entity Risk Pools

The Stark County Schools Council of Government (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms as serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of fifteen Stark County school districts.

The School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business affairs are conducted by a three member Board of Directors consisting of the president, the president-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fees to the GRP's to cover the costs of administering the program.

Note 17 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

Note 17 - Contingencies (Continued)

B. Litigation

The School District is a party to legal proceedings. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 18 - Segment Information

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	<i>Food Service</i>	<i>Uniform School Supplies</i>	<i>Total Enterprise Funds</i>
Operating Revenues	\$48,223	\$16,579	\$64,802
Operating Expenses			
Before Depreciation	87,317	15,493	102,810
Depreciation	748	0	748
Operating Income (Loss)	(39,842)	1,086	(38,756)
Donated Commodities	7,957	0	7,957
Operating Grants	21,752	0	21,752
Operating Transfers In	15,000	50	15,050
Net Income	4,867	1,136	6,003
Net Working Capital	(9,962)	8,087	(1,875)
Total Assets	31,835	8,371	40,206
Total Equity	3,876	8,076	11,952
Encumbrances at			
June 30, 1999	5,472	458	5,930

Note 19 - School Funding Issue

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,584,351 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the **Note**

**Mogadore Local School District
Summit County**

*Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)*

19 - School Funding Issue (Continued)

Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

Note 20 - Set-Asides

The School District is required by State Statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years. The School District is required to set aside money for budget stabilization. Set-aside requirements for fiscal year 1999 are as follows:

	<i>Textbooks</i>	<i>Capital Acquisition</i>	<i>Budget Stabilization</i>	<i>Totals</i>
Set-Aside Cash Balance as of June 30, 1998	\$0	\$0	\$31,768	\$31,768
Current Year Set-Aside Requirement	114,645	114,645	18,922	248,212
Qualifying Disbursements	114,645	114,645	0	229,290
Total	\$0	\$0	\$50,690	\$50,690
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$50,690	
Total Restricted Assets				\$50,690

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mogadore Local School District
Summit County
130 South Cleveland Avenue
Mogadore, Ohio 44260

To the Board of Education:

We have audited the general purpose financial statements of the Mogadore Local School District, Summit County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 24, 2001, which was qualified as we were unable to obtain sufficient information regarding the amount of reported fixed assets, accumulated depreciation and related depreciation expense in the General Fixed Assets Account Group and Enterprise Funds. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-10977-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 24, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-10977-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated January 24, 2001.

This report is intended for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 24, 2001

**MOGADORE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-10977-001

Noncompliance Citation

Ohio Rev. Code Section 135.22 requires the Treasurer to complete annual continuing education programs provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits, STAR Ohio and No-Load Money Market Mutual Funds pursuant to **Ohio Rev. Code Section 135.14 (B)(3)(5) and (6)**.

The Treasurer did not attend and/or complete the required annual continuing education programs provided by the Treasurer of State during 1999 and still invested funds in repurchase agreements. The Treasurer should either attend the required continuing education programs or limit the School District's investments to those permitted by law without training. The Board of Education should ensure the School Treasurer completes the annual continuing education programs as required.

FINDING NUMBER 1999-10977-002

Material Weakness

Fixed Assets

During our testing of fixed assets we noted the following control issues:

- the School District does not maintain comprehensive records to account for fixed asset balances, additions, deletions, and accumulated depreciation.
- we were unable to locate certain equipment items purchased made by the School District during the fiscal period.
- a laptop computer, purchased by the School District, was removed from School District property and remained in the home of an employee without Board approval.

These issues could result in an overstatement or understatement of fixed assets and related accumulated depreciation as well as the misappropriation of School District equipment.

The fixed asset system should include policies and procedures which address the acquisition, use, control, protection, maintenance and disposals of assets. We recommend that management:

- Develop a centralized policy and comprehensive procedural system with appropriate documentation forms, and require approval by the Superintendent prior to the disposition of any fixed assets. A copy of the documentation form should be routed to the Treasurer's office for input into a fixed asset record by department and/or class room and type of asset to permit the preparation of the general purpose financial statements. The system should also accurately reflect all current and accumulated depreciation amounts.
- Perform a physical count of fixed assets to obtain an accurate balance and then perform periodic test basis physical counts, at least annually.
- Maintain a detailed master fixed asset list appropriately sorted which readily supports financial statement preparation (i.e by class, type, etc.).



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MOGADORE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2001**